

LEWIS AND CLARK COMMERCE CENTER

PROPOSED LEASE AGREEMENT

STATE TRUST LAND

BOZEMAN, MONTANA

JULY 21, 2008

Consideration for the issuance of a long term lease for 5.343 acres within the SW quarter of Section 36, Township 1S, Range 5E, Gallatin County, Montana (Common Schools Trust).

The lease area consists of Lots 2, Block 2 of the Lewis and Clark Commerce Center located on the corner of Simmental Way and Boot Hill Court within the City of Bozeman. Ricochet Development, LLC, whose address is 1276 North 15th Ave. Suite 103, Bozeman, Montana 59715, intends to construct and operate.

The Lewis and Clark Commerce Center is a 26 acre Commercial Subdivision consisting of 8 individual lots. Ricochet is proposing to construct a combination center consisting of space for a few major tenants as well as several smaller spaces that are principal, conditional or accessory uses consistent with M-1 zoning. The focus would be to sublease to local businesses with uses ranging from retail establishments, health facilities medical clinics, light manufacturers, a community center, and self storage units.

The proposed use conforms to uses deemed appropriate for this location by the City of Bozeman and conforms to City zoning, which is M-1 light industrial.

Following approval of the lease, Ricochet will be responsible for making application to the City of Bozeman for site plan review and will be subject to design and construction standards for buildings within the City Entry Corridor.

The lease agreement includes the following key terms and conditions:

Lease area: 5.343 acres.

Term: 25 years with options to renew for two additional 25-year periods for a maximum term of 75 years.

2008 **Rent:** At full operations 6.2% of the RFP market value with 3% escalation each year and periodic adjustments in year 25 and 50. Full annual rental of \$57,271; increases 3% annually until year 25 when reappraisal occurs.

Improvements: Ricochet will be responsible for extension and construction of all improvements, with no cost obligations to DNRC. All improvements will revert to Lessor (DNRC) at termination

Utilities: Utilities are on site. Lessee will install water and sewer lines to serve site plan.

Taxes: Lessee will pay taxes and special assessments assessed by the City of Bozeman.

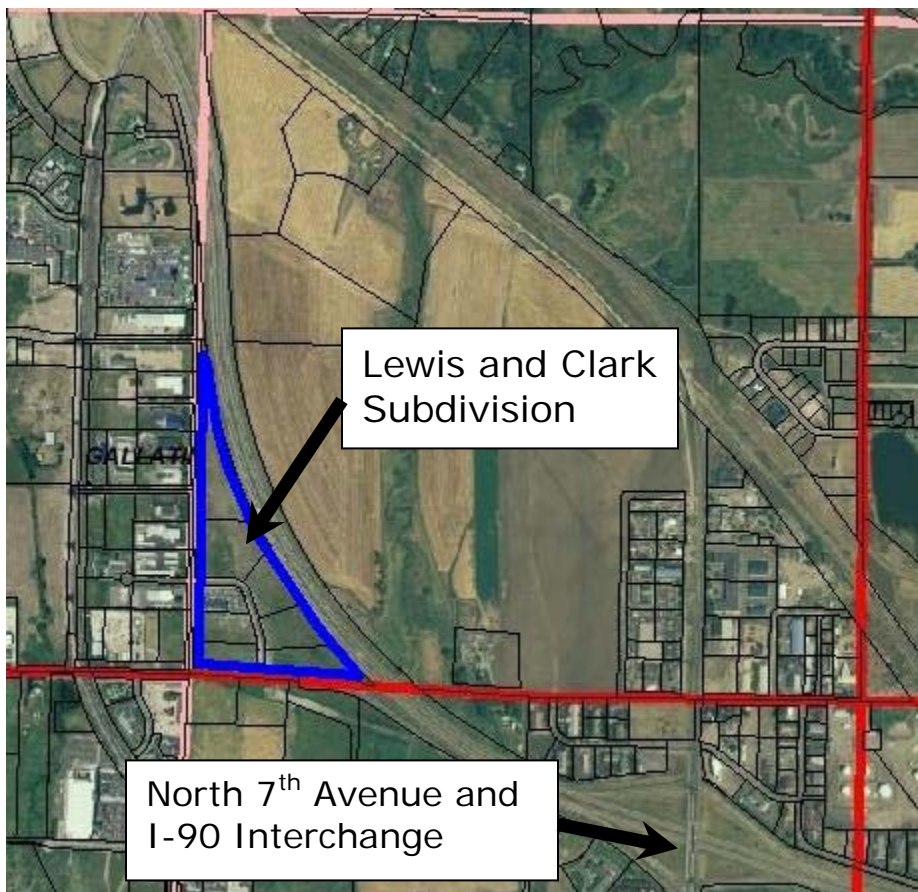
Insurance: Lessee is required to obtain and maintain liability, property and worker's compensation insurance.

Financing: The state trust land cannot be hypothecated. The lessee has the right to execute leasehold mortgages for the above ground improvements.

Liens: Lessee may not be recorded, filed, claimed or asserted against the Premises.

Security Deposit: Lessee agrees to pay the Lessor a Lease Reclamation fee of \$10,000.

The Director recommends the Board approve the issuance of a Lease Agreement to Ricochet Development, LLC.



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